



United States
Department of
Agriculture

Rural
Housing
Service

Oregon AN No. 1203 (1980)

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March 15, 2001

SUBJECT: Guaranteed Rural Housing (GRH) Program
Conditional Commitment for Loan Guarantee and
Agency Review of Closing Documents

TO: Rural Development Managers
Rural Development
Oregon

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the expiration date of GRH Commitment and provide guidance on the Agency review of closing documents and issuance of the guarantee.

COMPARISON WITH PREVIOUS AN:

No previous Oregon AN has been issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

I. Conditional Commitment for Loan Guarantee:

Form RD 1980-18, "Conditional Commitment for Single Family Housing Loan Guarantee," sets for the conditions of loan guarantee approval. Commitments are valid for 90 days from the date of issuance. In accordance with Section 1980.354(a)(1)(ii) of RD Instruction 1980-D, the lender may request the Agency to extend the conditional commitment for one additional 90 day period if the lender has been unable to close the loan due to circumstances beyond its control, such as construction delays. Approved extensions must be granted in writing with the signature of an approval official. Extensions typically should not be granted after loan closing.

EXPIRATION DATE:
March 31, 2002

FILING INSTRUCTIONS:
Proceeding RD Instruction 1980-D

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Secretary of Agriculture, Washington, DC 20250

Since the lender is typically in a position to issue final approval upon receipt of a commitment, the Agency expects to issue the loan note guarantee prior to the date of expiration of the commitment.

Within 30 days after loan closing, the lender should request issuance of the loan note guarantee using Form RD 1980-19, "Guaranteed Loan Closing Report." At the same time, the lender must submit documentation that the loan was properly closed and pay the loan guarantee fee. A Loan Note Guarantee will not be issued beyond 30 days of the loan closing if the account is in default. Validate the account is current by requesting a Mortgage Loan History outlining payments due and paid.

II. Agency Review of Loan Closing:

A. Review of Closing Documents

The Agency will review Form RD 1980-19, "Guaranteed Loan Closing Report" and the required loan closing documents received from the lender. The review insures that all closing documents are completed and the lender has certified that all required to the commitment have been satisfied. A review of closing documents typically determines that the documents are acceptable, incomplete or unacceptable.

1. Acceptable Closing Documents

If all closing documents are acceptable, the Agency will proceed to issue the loan note guarantee by preparing Form RD 1980-17, "Loan Note Guarantee." Process the guarantee fee paid to the wholesale lockbox and enter the closing information into the computer system. Forward the Loan Note Guarantee to the lender, retaining a conformed copy in the borrower's case file.

2. Incomplete Closing Documents

If the Agency review determines that the closing documentation is incomplete, or that there are minor, correctable errors in the loan closing documents, the lender may be granted up to 30 days to correct the situation. Notify the lender of incomplete packages by telephone or fax to alert them. By letter, identify in detail the necessary corrections and/or items necessary to issue a guarantee. Establish a time frame for receipt of 30 days. Return the guarantee fee with notification of the incomplete package. Validate the correct address/branch the fee and notification should be sent to. If the complete information is not resubmitted within 30 days, the Conditional Commitment will not be honored if the account is in default.

3. Unacceptable Closing Documents

A loan note guarantee cannot be issued if there are any significant errors in the closing documents, or if the loan does not meet all program requirements. For example - if the lender failed to obtain first lien position, the loan will not qualify for a guarantee. The guarantee also will not be issued in the event that the borrower receives cash back at closing in excess of the amount the borrower paid out of pocket for costs such as earnest money, credit report, or an appraisal.

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If it is determined that the loan note guarantee cannot be issued, the Agency will notify the lender of the reasons, and inform the lender of all review and appeal rights.

Exhibit A to this AN will be used to record your closing review. File this review in position 2 of the borrower's case file.

III. Agency Monitoring:

Agency staff must utilize the GLS system and other sources of report systems to monitor the receipt of loan closing documents within the 90-day commitment period. Offices are encouraged to establish an internal system for follow-up and notification to the lender of pending receipt of documentation. On occasion, a lender may not submit closing documents within the commitment period. As customer service, the Agency will notify the lender in writing providing them an additional 30 days to respond with a closing package indicating the commitment will be honored provided adequate documentation can be obtained to validate the mortgage loan has remained current since origination. Simultaneously with your notice of 30 days, request a Mortgage Loan history for validation the account is current. Inform the lender of all review and appeal rights. Post a follow-up for receipt of closing documents for 30 days. Open communication between the lender and the Agency is a key component.

If you have any questions regarding this Administrative Notice (AN), please feel free to contact Single Family Housing at (503) 414-3335.

LYNN SCHOESSLER
State Director

Attachment